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SUBJECT: BREWERY FLOURISHES IN DRC'S DIFFCULT CLIMATE

REF: KINSHASA 1608

¶1. (U) Summary. One of the DRC's oldest businesses, Bralima brewery, demonstrates a possible way forward for Congo's beleaguered manufacturing sector. Bralima produces and distributes Coca-Cola and Heineken brands throughout the DRC. Even in an uncertain economic and political climate, Bralima's sales are increasing and its operations expanding, supported by an extensive distribution network. Other businesses in the DRC may benefit from some of Bralima's lessons, although Bralima's long roots and relatively strong base of demand for its products may make its success difficult to duplicate. End Summary.

Operating and Expanding in Adverse Business Environment
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¶2. (SBU) EconOff and Econ TDYer met with the Bralima and Coca-Cola managers in Kinshasa in late September, and EmbOffs toured Bralima's Kinshasa facility in October. Bralima, one of the DRC's longest continuously-functioning businesses (opened in 1923), is now a subsidiary of the Dutch company Heineken. Bralima's DRC headquarters are at its well-maintained several-acre plant in Kinshasa, and its products include both globally-known and domestic market alcoholic and non-alcoholic beverages, such as Congo's Primus beer. Coca-Cola contracts with Bralima to bottle and distribute its products throughout the DRC, and its offices are co-located within Bralima. Bralima's five main bottling plants are in Kinshasa; Boma, Bas-Congo; Bukavu, South Kivu; Lubumbashi, Katanga; and Kisangani, Orientale province. The Kinshasa and Boma plants are responsible for 75 percent of production.

¶3. (SBU) Despite some notable macroeconomic difficulties in the DRC (reftel), the Coca-Cola and Heineken directors reported 2006 has yielded their highest production volumes in 30 years, buoyed by overall strong national economic growth since 2001. Sales are up 40 percent over 2005, with a 17 percent increase in Kinshasa and even higher growth in eastern Congo. Kinshasa represents two-thirds of sales by volume. Total sales are 60 percent beer products and 40 percent soft drink products. (Note: Coca-Cola's studies indicate that nationwide, Congolese consume an average of five to six soft drinks per year, but consume 28 per year in Kinshasa. An average civil servant must earn two and a half hours worth of government wages to buy a Coca-Cola. End note.) As a result of the growing and currently unmet demand, the company is installing a new bottling line at the Kinshasa plant - an estimated USD 10 million investment. Bralima's competitor, BraCongo, has recently announced in local newspapers that it too is planning new brewery investments in 2007.

¶4. (SBU) Coca-Cola and Heineken managers attribute several factors to Bralima's success in the face of difficult political and economic conditions: a strong community presence, corporate self-reliance, hedges against insecurity, flexibility and innovation in distribution and a strong stance against corruption. The brewery maintains its community presence via local employment and advertising. In Kinshasa alone, Bralima has 600 to 800 direct employees and hundreds of others who are indirectly dependent on its bottling operations. Its company and product logos seem omnipresent, via billboards, highly-visible signs at bars and restaurants, and even on its own printed fabric. The beverage managers say this community entrenchment protected them from the catastrophic looting in 1991 and 1993 and would help insulate them against any future unrest. Companies looking to enter Congo now do not have this extensive support and would not therefore be protected from unrest, they said.

¶5. (SBU) The brewery also attempts to hedge against political and economic insecurity and to be completely self-reliant. Almost all of the brewery's inputs, including water, imported and domestic rice, bottles, and ice are produced domestically, and the plants rely on their own generators for their power supply. The brewery hedges itself in part against inflation by buying "futures" of the concentrate, securing the price in advance on later shipments.

¶6. (SBU) The Bralima manager also said his company takes a strong stance against corruption, but he and the Coca-Cola manager cautioned that a company must be large and influential enough to be able to take drastic measures and coordinate closely with other local businesses to fight corruption. The Bralima manager said, for example, that Bralima closed its brewery in Bukavu for two weeks to protest

what it believed to be a corruptly obtained judgment against it. (Note: Other EconOff contacts said that the court in Bukavu closed the factory. End note.) The judge was reportedly replaced soon after the closure.

Distribution is the Key

¶7. (SBU) It is through its distribution network, however, that Bralima demonstrates the innovation and flexibility necessary for companies operating in business environments like the DRC's. Nationwide, Bralima has 28,000 sales outlets. In urban areas, trucks and hand carts are the primary distribution modes. In Kinshasa, the brewery uses both its own trucks and those of contractors for delivery, and Bralima's manager says the company has compiled a database of information on all its sales points. The brewery's trucks are equipped with GPS to let brewery managers know their exact location and routing and to send messages if the drivers go off-route. The managers said Kinshasa distributorships, half of which are female-run, range in size from single pushcarts to a female-owned business with USD 10 million annual revenue. Bralima pays its largest distributors through a cellular banking service, CelPay, but the limited banking infrastructure currently limits expanding the use of this method.

¶8. (SBU) Rural distribution obviously presents greater challenges, and in some places is a loss-leader maintained only to promote brand recognition. Most distribution to its many sale points throughout the country is accomplished via the Congo's extensive river networks. Some rail and road transport is possible, although theft and assault makes these methods more risky, and dependence on government-operated rail transport makes the company subject to strikes and other factors.

Comment

¶9. (SBU) Bralima,s evident success shows that conducting business is possible despite the fact that the DRC is one of the most difficult business environments in the world. However, its story also demonstrates that companies may need deep roots and long years of on-the-ground experience to achieve this success. Further, others should be wary not to take too many lessons from this particular story, as the beverage industry seems to stand nearly alone in many post-conflict African countries as a successful manufacturing sub-sector. End comment.
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